

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Mecosta County Parks Commission	County Mecosta
Audit Date 12/31/04	Opinion Date 1/13/05	Date Accountant Report Submitted to State: 2/11/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature <i>[Signature]</i> CPA		Date	

MECOSTA COUNTY PARK COMMISSION

(A Component Unit of Mecosta County)

DECEMBER 31, 2004

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CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2005

INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Mecosta County Park Commission
Mecosta County, Michigan

We have audited the accompanying financial statements of the business-type activities of the Mecosta County Park Commission, a component unit of Mecosta County, Michigan, as of and for the years ended December 31, 2004 and 2003, which comprise the Park Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Park Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit of revenues was limited to recorded revenues.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had revenue been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mecosta County Park Commission, Mecosta County, Michigan, as of December 31, 2004 and 2003, and the results of its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that comprise the Mecosta County Park Commission basic financial statements. The other statement listed in the Table of Contents as *Supporting Schedule* is presented for purposes of additional analysis and is not a required part of the basic financial statements of Mecosta County Park Commission. Such information relative to the year ended December 31, 2004 and 2003 has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Park Commission's financial report presents management's overview and analysis of the Park Commission's financial performance for the fiscal year ended December 31, 2004. This section should be read in conjunction with the financial statements which follow this section.

Financial Highlights

- The assets of the Park Commission exceeded its liabilities at December 31, 2004, by \$1,513,664. Of this amount, \$606,366 represents net assets which are not invested in capital assets.
- The Authority's total net assets increased by \$5,239.
- The Authority remained free of long-term debt during the period.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Park Commission's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Park Commission report information about the Park Commission using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets presents information on all of the Park Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in new assets may serve as a useful indicator of whether the financial position of the Park Commission is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Park Commission's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

Financial Analysis

The Commission's combined net assets increased 0.35% from a year ago - increasing from \$1,508,425 to \$1,513,664. The table below shows a comparison of the net assets as of the current and prior year:

	2004	2003
ASSETS		
Current Assets		
Petty Cash	\$ 100	\$ 100
Deposits with Financial Institutions	2,605	3,069
Investments with County of Mecosta	699,390	691,271
Accounts Receivable	2,118	1,134
Prepaid Expenses	12,931	2,845
Total Current Assets	\$ 717,144	\$ 698,419

MANAGEMENT'S DISCUSSION AND ANALYSIS

Property, Plant and Equipment		
Land and Land Improvements	\$ 1,063,600	\$ 1,063,140
Buildings and Improvements	602,861	548,570
Machinery and Equipment	483,957	461,552
Less: Accumulated Depreciation	<u>(1,243,120)</u>	<u>(1,161,142)</u>
Total Property, Plant and Equipment	\$ 907,298	\$ 912,120
TOTAL ASSETS	<u>\$ 1,624,442</u>	<u>\$ 1,610,539</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 14,389	\$ 21,025
Due to Other Governments	28,000	16,631
Deferred Revenue	22,811	22,871
Accrued Payroll	7,808	6,396
Accrued Vacation and Sick Pay	<u>18,459</u>	<u>17,087</u>
Total Current Liabilities	\$ 91,467	\$ 84,010
Non-Current Liabilities		
Accrued Vacation and Sick Pay	<u>19,311</u>	<u>18,104</u>
TOTAL LIABILITIES	<u>\$ 110,778</u>	<u>\$ 102,114</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 907,298	\$ 912,120
Unrestricted		
Designated for Contingency	20,000	60,000
Designated for Winter Operations	60,000	60,000
Designated for Replacement	80,000	80,000
Designated for Improvements	325,000	225,000
Undesignated	<u>121,366</u>	<u>171,305</u>
Total Net Assets	\$ 1,513,664	\$ 1,508,425
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,624,442</u>	<u>\$ 1,610,539</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$10,061. The current level of unrestricted net assets for our activities stands at \$606,366, or about 67.82% of expenditures.

The following table shows the changes in net assets as of the current and prior year:

	2004	2003
<u>OPERATING REVENUE</u>		
Charges for Services	\$ 875,903	\$ 902,070
<u>OPERATING EXPENSES</u>		
Personnel Services	\$ 547,725	\$ 543,604
Supplies	37,941	31,324
Other Services and Charges	208,094	186,884
TOTAL OPERATING EXPENSES	\$ 793,760	\$ 761,812
Operating Income Before Depreciation	\$ 82,143	\$ 140,258
Depreciation	(100,366)	(93,175)
Operating Income (Loss)	\$ (18,223)	\$ 47,083
<u>NON-OPERATING REVENUE (EXPENSE)</u>		
Interest Income	\$ 6,598	\$ 11,903
Sale of Supplies	2,279	2,000
Grant Income	1,122	525
Other Income	13,211	339
Gain (Loss) on Sale of Assets	252	0
TOTAL NON-OPERATING REVENUE	\$ 23,462	\$ 14,767
Change in Net Assets	\$ 5,239	\$ 61,850
<u>NET ASSETS - JANUARY 1</u>	1,508,425	1,446,575
<u>NET ASSETS - DECEMBER 31</u>	\$ 1,513,664	\$ 1,508,425

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

At the end of 2004, the Park Commission had \$2,150,418 invested in a broad range of capital assets, including buildings, land and land improvements, and machinery and equipment.

Economic Factors and Future Outlook

In 2005, the Park Commission will begin construction on a Brower bathhouse for approximately \$180,000. They will be receiving a \$90,000 grant through the State of Michigan to assist with the cost of construction.

Request for Information

This financial report is designed to provide a general overview of the Park Commission's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Mecosta County Park Commission, 22250 Northland Drive, Paris, Michigan 49338.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets		
Petty Cash	\$ 100	\$ 100
Deposits with Financial Institutions	2,605	3,069
Investments with County of Mecosta	699,390	691,271
Accounts Receivable	2,118	1,134
Prepaid Expenses	12,931	2,845
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Total Current Assets	\$ 717,144	\$ 698,419
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Land and Land Improvements	\$ 1,063,600	\$ 1,063,140
Buildings and Improvements	602,861	548,570
Machinery and Equipment	483,957	461,552
Less: Accumulated Depreciation	(1,243,120)	(1,161,142)
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Total Property, Plant and Equipment	\$ 907,298	\$ 912,120
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,624,442</u>	<u>\$ 1,610,539</u>

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 14,389	\$ 21,025
Due to Other Governments	28,000	16,631
Deferred Revenue	22,811	22,871
Accrued Payroll	7,808	6,396
Accrued Vacation and Sick Pay	18,459	17,087
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Total Current Liabilities	\$ 91,467	\$ 84,010
Non-Current Liabilities		
Accrued Vacation and Sick Pay	19,311	18,104
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TOTAL LIABILITIES	\$ 110,778	\$ 102,114
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<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 907,298	\$ 912,120
Unrestricted		
Designated for Contingency	20,000	60,000
Designated for Winter Operations	60,000	60,000
Designated for Replacement	80,000	80,000
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Undesignated	121,366	171,305
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Total Net Assets	\$ 1,513,664	\$ 1,508,425
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,624,442	\$ 1,610,539
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The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31,

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUE</u>		
Charges for Services	\$ 875,903	\$ 902,070
<u>OPERATING EXPENSES</u>		
Personnel Services	\$ 547,725	\$ 543,604
Supplies	37,941	31,324
Other Services and Charges	208,094	186,884
TOTAL OPERATING EXPENSES	\$ 793,760	\$ 761,812
Operating Income Before Depreciation	\$ 82,143	\$ 140,258
Depreciation	(100,366)	(93,175)
Operating Income (Loss)	\$ (18,223)	\$ 47,083
<u>NON-OPERATING REVENUE (EXPENSE)</u>		
Interest Income	\$ 6,598	\$ 11,903
Sale of Supplies	2,279	2,000
Grant Income	1,122	525
Other Income	13,211	339
Gain (Loss) on Sale of Assets	252	0
TOTAL NON-OPERATING REVENUE (EXPENSE)	\$ 23,462	\$ 14,767
Change in Net Assets	\$ 5,239	\$ 61,850
<u>NET ASSETS - JANUARY 1</u>	<u>1,508,425</u>	<u>1,446,575</u>
<u>NET ASSETS - DECEMBER 31</u>	<u>\$ 1,513,664</u>	<u>\$ 1,508,425</u>

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (18,223)	\$ 47,083
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	100,366	93,175
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(984)	(805)
(Increase) Decrease in Prepaid Expense	(10,086)	442
Increase (Decrease) in Accounts Payable	(6,636)	5,413
Increase (Decrease) in Due to Other Governments	11,369	16,631
Increase (Decrease) in Deferred Revenue	(60)	2,355
Increase (Decrease) in Accrued Vacation and Sick Pay	2,579	6,330
Increase (Decrease) in Accrued Payroll	1,412	568
Net Cash Provided by Operating Activities	<u>\$ 79,737</u>	<u>\$ 171,192</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Other Non-Capital Financing Activities	<u>\$ 13,211</u>	<u>\$ 339</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchases of Fixed Assets	\$ (96,542)	\$ (105,480)
Sale of Supplies	2,279	2,000
Proceeds from State Grant	1,122	525
Proceeds from Sale of Assets	1,250	0
Net Cash Used by Capital and Related Financing Activities	<u>\$ (91,891)</u>	<u>\$ (102,955)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	\$ 6,598	\$ 11,903
Purchase of Investments	(8,119)	(80,495)
Net Cash Provided (Used) by Investing Activities	<u>\$ (1,521)</u>	<u>\$ (68,592)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (464)	\$ (16)
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>3,169</u>	<u>3,185</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 2,705</u>	<u>\$ 3,169</u>

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mecosta County Park Commission is a Component Unit of Mecosta County, Michigan, according to the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. The Commission is governed by a ten member board, appointed by the Mecosta County Commission.

The financial statements of Mecosta County Park Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities.
- A change in the fund financial statements to focus on the major funds.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Mecosta County Park Commission have been presented in accordance with generally accepted principles of accounting as applicable to Enterprise Funds. Enterprise Funds are a type of proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Park Commission applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Mecosta County Park Commission investments consist of cash invested through the Mecosta County Treasurer. The monies are invested in U.S. Government Treasury Notes and Bills.

(I) State statutes authorize the Commission to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with commission to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. Inventory and Prepaid Items

The Park Commission does not maintain any inventory. Supply inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Fixed Assets and Depreciation

Fixed assets are stated at cost. Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Depreciation of all exhaustible fixed assets used by Enterprise Funds is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and Land Improvements	10-40 years
Equipment	5-10 years

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

4. Compensated Absences

Using the criteria established in Governmental Accounting Standards Board (GASB) Statement 16, a liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place. Criteria for recognition of these two basic types of compensated absences are as follows:

- (a) Vacation and Similar Leave Absences - should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:
 - (i) The employees' rights to receive compensation are attributable to services already rendered.
 - (ii) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.
- (b) Sick and Similar Leave Absences - should be accrued using one of the following termination approaches:
 - (i) Under the Termination Payment Method, a liability should be accrued as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.
 - (ii) Under the Vesting Method, a liability should be based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payment, as well as other employees who are expected to become eligible in the future to receive such payments.

Sick pay is accrued under the Termination Payment Method. It is the Park Commission's policy to permit employees to accumulate earned but unused sick and vacation pay. Amounts estimated to be payable within one year are shown as current liabilities and remaining amounts are classified as non-current liabilities.

At December 31, 2004 and 2003, the vacation and sick benefits accrued were \$37,770 and \$35,191 respectively.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

5. Deferred Revenue

Deferred Revenue is the amount of revenue received in the current year for future camping permits, picnic deposits, and family group camp. The amount is recorded as a liability on the statement of net assets. It will be recognized as revenue when it is earned.

6. Net Assets

Designations are established to identify the existence of assets that have been restricted by the Board for a future use.

II. DETAILED NOTES ON FUND

A. **Cash and Investments**

At year-end, the Park Commission's carrying amount of cash and investments was as follows:

	<u>2004</u>	<u>2003</u>
Petty Cash	\$ 100	\$ 100
Deposits with Financial Institutions		
Payroll Checking Account	\$ 1,514	\$ 1,514
Receiving Checking Accounts	300	300
Operations and Maintenance Account	<u>791</u>	<u>1,255</u>
Subtotal - Deposits with Financial Institutions	\$ 2,605	\$ 3,069
Investments with County Treasurer	<u>699,390</u>	<u>691,271</u>
Total Carrying Amount	\$ <u>702,095</u>	\$ <u>694,440</u>

The bank balance of deposits with financial institutions was \$13,575 on December 31, 2004. The entire bank balance of deposits with financial institutions was covered by federal depository insurance as was the carrying amount at December 31, 2004.

MECOSTA COUNTY PARK COMMISSION
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

The Commission has \$699,390 of investments with Mecosta County at December 31, 2004. The funds are held at Salomon Smith Barney and are invested in U.S. Government Treasury Notes and Bills. Interest is earned at varying rates depending on date of purchase and length of issue. Interest earned is based on the Park Commission's proportionate share of the total invested in the program. These deposits are not covered by federal depository insurance.

	<u>CARRYING AMOUNT</u>
Investments, At Cost or Amortized Cost	
Investment Trust Funds	\$ <u>699,390</u>

The market value of these investments is not available from the County.

B. Property, Plant, and Equipment

A summary of the Property, Plant, and Equipment at December 31, 2004 follows. Depreciation has been provided over the estimated useful lives using the straight line method.

	December 31, 2003	Additions	Deletions	December 31, 2004
Land and Improvements	\$ 1,063,140	\$ 460	\$ 0	\$ 1,063,600
Buildings and Improvements	548,570	54,291	0	602,861
Machinery and Equipment	461,552	41,790	19,385	483,957
	<u>2,073,262</u>	<u>96,541</u>	<u>19,385</u>	<u>2,150,418</u>
Less				
Accumulated Depreciation	<u>(1,161,142)</u>	<u>(100,366)</u>	<u>(18,388)</u>	<u>(1,243,120)</u>
Net Property, Plant and Equipment	\$ <u>912,120</u>	\$ <u>(3,825)</u>	\$ <u>997</u>	\$ <u>907,298</u>

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

	PURCHASED WITH COMMISSION FUNDS	ACQUIRED WITH GRANT FUNDS	TOTAL
Land and Improvements	\$ 852,827	\$ 210,773	\$ 1,063,600
Building and Improvements	602,861	0	602,861
Machinery and Equipment	483,957	0	483,957
Total Cost	\$ 1,939,645	\$ 210,773	\$ 2,150,418
Less			
Accumulated Depreciation	(1,102,398)	(140,722)	(1,243,120)
Net Property, Plant and Equipment	\$ 837,247	\$ 70,051	\$ 907,298

Depreciation expense recognized by the Commission totaled \$100,366 and \$93,175 for the years ended December 31, 2004 and 2003, respectively.

C. Designated Net Assets

The Commission's Board has approved a designation of assets for the replacement and repair of park assets.

	2004	2003
Contingency Fund	\$ 20,000	\$ 60,000
Winter Operations	60,000	60,000
Replacement Fund	80,000	80,000
Improvement Fund	325,000	225,000
Total	\$ 485,000	\$ 425,000

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

D. Commitments

1. Operating Leases

Mecosta County Park Commission leases the land for Brower Park. The Park Commission entered into a lease with Consumers Energy Company dated October 16, 1999 that extends from May 1, 1999 until May 1, 2017. Rent is paid annually and is to be based on an allocation of the annual expenses the Lessor expects to incur in administering the various leases, licenses, and license agreements that Lessor expects to have in place for its FERC - regulated hydro project lands. The rental amount currently is set at \$2,400 per year and shall be revised every fifth year during the term of the lease, based on projected data for the year of the revision.

The following is a schedule of the future minimum lease payments required under the operating lease which has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2004. The amount for the year ended December 31, 2008 and after is subject to changes based on the agreement discussed above.

<u>YEAR ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2005	\$ 2,400
2006	2,400
2007	2,400
2008	2,400
2009	2,400
2010-2014	12,000
2014-2017	9,600
	<u>\$ 33,600</u>

2. Capital Improvement - Brower Park

According to the lease agreement with Consumers Energy Company for the land used for Brower Park, the Park Commission is required to contribute \$20,000 each year into a capital account. The cap on the amount contributed to the capital account is \$100,000. On each 5-year anniversary date of the lease, the annual capital account contribution shall be adjusted to reflect the change in the consumer price index.

Capital improvement expenditures at Brower Park reduce the balance in the capital account. As of December 31, 2004, the capital improvement expenditures have exceeded the required annual contributions to the capital account. Therefore, the balance in the capital account is negative so there is no bank account holding the balance. The following is a schedule of the activity in the capital account.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

<u>YEAR ENDED DECEMBER 31,</u>	<u>ANNUAL</u> <u>CONTRIBUTION</u>	<u>BROWER</u> <u>PARK</u> <u>CAPITAL</u> <u>IMPROVEMENTS</u>	<u>CAPITAL</u> <u>ACCOUNT</u> <u>BALANCE</u>
1997	\$ 20,000	\$ (25,718)	\$ (5,718)
1998	20,000	(190,419)	(176,137)
1999	20,000	(11,311)	(167,448)
2000	20,000	(129,654)	(277,102)
2001	20,000	(90,300)	(347,402)
2002	20,000	(29,368)	(356,770)
2003	20,000	(19,397)	(356,167)
2004	20,000	(31,050)	(367,217)
	<u>\$ 160,000</u>	<u>\$ (527,217)</u>	

3. Retirement Commitments

Some of the Commission's employees are participants in the Michigan Municipal Employees Retirement System (MERS) through Mecosta County. This is an agent multiple-employer defined benefit pension plan administered by the State of Michigan. Separate information on funding status and progress for the Commission's employees is not available. Complete pension disclosures for the entire plan can be found in the comprehensive annual financial report of Mecosta County. Copies of the report are available at the County Offices. Pension expense was \$10,853 and \$25,260 for the years ended December 31, 2004 and 2003 respectively. For the year ended December 31, 2004 and 2003, the Park Commission had contributed 14.61% of covered payroll. To improve the funding level, the Park Commission contributed an additional \$0 and \$6,000 for the years ended December 31, 2004 and 2003, respectively.

Beginning in 2004 most employees are no longer participants in the MERS program. They are now participants in a 401(a) defined contribution pension plan through ICMA Retirement Corporation. For the year ending December 31, 2004, the Park Commission has contributed 9% of covered payroll which amounted to \$14,449.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

F. Risk Management

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Commission is covered under Mecosta County's insurance policy to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission.

G. Interest Income

Interest income for the year ended December 31, 2004 and December 31, 2003 was \$6,598 and \$11,903 respectively.

MECOSTA COUNTY PARK COMMISSION
(A Component Unit of Mecosta County)
SUPPLEMENTAL FINANCIAL DATA

COMBINING SCHEDULE OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2004

WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2003

	BROWER PARK	SCHOOL SECTION PARK	MERRILL PARK	PARIS PARK	TUBBS PARK	HAYMARSH CAMPGROUND	ADMINISTRATION	TOTALS (MEMORANDUM ONLY)	
								2004	2003
<u>OPERATING REVENUE</u>									
Charges for Services									
Camping	\$ 311,023	\$ 162,710	83,607	\$ 39,062	\$ 20,339	\$ 5,752	\$ 0	\$ 622,493	\$ 645,439
Boat Ramp Permits									
Daily Permits	8,250	0	0	582	0	0	0	8,832	9,272
Seasonal Permits	13,520	0	0	0	0	0	0	13,520	14,600
Admissions									
Daily Permits	26,592	23,015	2,615	1,880	0	0	0	54,102	55,905
3-Day Permits	9,312	7,176	2,400	2,940	0	0	0	21,828	23,688
Seasonal Permits	56,200	32,100	10,700	3,060	0	0	0	102,060	106,980
Youth Camp	0	18,706	0	0	0	0	0	18,706	13,878
Cash Over (Short)	38	(4)	13	2	0	0	0	49	(600)
Concession Revenue	13,113	6,074	2,671	2,108	0	0	0	23,966	22,487
Hatchery Lease	0	0	0	500	0	0	0	500	500
Paris Ponds	0	0	0	3,872	0	0	0	3,872	3,974
Picnic Reservations	0	3,300	400	900	0	0	0	4,600	4,415
Rental Income	0	0	0	0	0	0	1,375	1,375	1,532
TOTAL OPERATING REVENUE	\$ 438,048	\$ 253,077	\$ 102,406	\$ 54,906	\$ 20,339	\$ 5,752	\$ 1,375	\$ 875,903	\$ 902,070
<u>OPERATING EXPENSES</u>									
Personnel Services									
Salaries and Wages	\$ 101,543	\$ 72,128	\$ 56,196	\$ 32,738	\$ 500	\$ 241	\$ 152,023	\$ 415,369	\$ 421,933
Fringe Benefits and Payroll Tax	29,897	17,531	20,793	5,528	63	30	52,567	126,409	116,119
Employee Education and									
Other Employee Expenses	2,501	799	599	382	0	0	1,666	5,947	5,552
Supplies									
Office Supplies	3,833	615	191	46	0	0	2,220	6,905	6,594
Supplies	10,909	2,659	1,677	2,363	0	0	5,276	22,884	15,709
Concession Purchases	2,914	1,138	339	2,942	0	0	0	7,333	7,937
Small Tools	8	114	22	0	0	0	670	814	739
Radio Equipment	5	0	0	0	0	0	0	5	345
Other Services and Charges									
Freight and Postage	1,037	81	23	6	0	0	417	1,564	784
Licenses	411	411	225	150	0	0	0	1,197	811

	BROWER PARK	SCHOOL SECTION PARK	MERRILL PARK	PARIS PARK	TUBBS PARK	HAYMARSH CAMPGROUND	ADMINISTRATION	TOTALS (MEMORANDUM ONLY) 2004	TOTALS 2003
Maintenance and Repairs	14,757	10,698	5,475	3,602	104	68	10,369	45,073	38,079
Waste Disposal	5,720	4,466	2,376	1,155	1,705	528	600	16,550	15,516
Outside Services	2,898	1,151	776	676	202	94	4,920	10,717	7,915
Telephone	985	959	462	601	0	0	2,612	5,619	5,798
Mileage	561	74	0	111	243	0	2,109	3,098	3,330
Travel and Conferences	280	33	13	3	0	0	77	406	1,230
Advertising	4,764	561	224	56	0	0	491	6,096	7,633
Programs and Events	726	39	5	9	0	0	0	779	1,027
Insurance	26,145	5,033	2,023	503	0	0	0	33,704	16,631
Utilities	23,973	17,626	11,804	6,111	0	0	5,674	65,188	66,705
Contracted Maintenance	630	2,900	330	0	430	89	5,612	9,991	12,676
Equipment Rental	103	0	0	51	0	0	0	154	99
Miscellaneous	1,752	271	250	124	95	0	0	2,492	1,766
Refunds	289	1,220	1,066	491	0	0	0	3,066	4,484
Permits and Easements	2,400	0	0	0	0	0	0	2,400	2,400
TOTAL OPERATING EXPENSES	\$ 239,041	\$ 140,507	\$ 104,869	\$ 57,648	\$ 3,342	\$ 1,050	\$ 247,303	\$ 793,760	\$ 761,812
Operating Income (Loss)									
Before Depreciation	\$ 199,007	\$ 112,570	\$ (2,463)	\$ (2,742)	\$ 16,997	\$ 4,702	\$ (245,928)	\$ 82,143	\$ 140,258
Depreciation	(40,146)	(16,788)	(11,762)	(7,649)	(424)	(228)	(23,369)	(100,366)	(93,175)
Operating Income (Loss)	\$ 158,861	\$ 95,782	\$ (14,225)	\$ (10,391)	\$ 16,573	\$ 4,474	\$ (269,297)	\$ (18,223)	\$ 47,083
NON-OPERATING REVENUE (EXPENSE)									
Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,598	\$ 6,598	\$ 11,903
Sale of Supplies	0	240	54	1,361	0	0	624	2,279	2,000
Grant Income	561	0	0	561	0	0	0	1,122	525
Other Income (Expense)	6,550	2,935	175	1,530	0	0	2,021	13,211	339
Gain (Loss) on Sale of Asset	(998)	0	0	0	0	0	1,250	252	0
Total Non-Operating Revenue (Expense)	\$ 6,113	\$ 3,175	\$ 229	\$ 3,452	\$ 0	\$ 0	\$ 10,493	\$ 23,462	\$ 14,767
Net Income (Loss) Before Administration/ Overhead Allocations	\$ 164,974	\$ 98,957	\$ (13,996)	\$ (6,939)	\$ 16,573	\$ 4,474	\$ (258,804)	\$ 5,239	\$ 61,850
Allocated Revenue (Expense)									
Administration Revenue Allocation	\$ 10,088	\$ 1,186	\$ 475	\$ 119	\$ 0	\$ 0	\$ (11,868)	\$ 0	\$ 0
Overhead Expense Allocation	(230,071)	(27,067)	(10,827)	(2,707)	0	0	270,672	0	0
Total Allocated Revenue (Expense)	\$ (219,983)	\$ (25,881)	\$ (10,352)	\$ (2,588)	\$ 0	\$ 0	\$ 258,804	\$ 0	\$ 0
CHANGE IN NET ASSETS	\$ (55,009)	\$ 73,076	\$ (24,348)	\$ (9,527)	\$ 16,573	\$ 4,474	\$ 0	\$ 5,239	\$ 61,850

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2005

Mecosta County Park Commission
22250 Northland Drive
Paris, Michigan 49338

Dear Board Members:

We have completed our audit of the Mecosta County Park Commission financial statements, and are communicating to you our comments and recommendations for the year ended December 31, 2004. The following comments and recommendations are to be reviewed and considered when the Commission is implementing organizational and procedural changes.

I. Management Approval of Bank Reconcilements and Journal Entries

An employee independent of cash receipt and disbursement activities should review the bank reconciliations and journal entries for any unusual items and document their approval by initialing the form. This will significantly improve the system of checks and balances necessary.

II. Reportable Condition on Internal Control

In planning and performing our audit of the financial statements of the Mecosta County Park Commission for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted a certain matter that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Commission make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

III. General Condition of Accounting Records

The accounting records were found to be in excellent condition. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

We wish to thank the Board for their confidence in our firm, and the administration and staff for their cooperation and assistance in helping us complete this engagement. If you have any questions relative to the preceding comments and recommendations, or other areas of your annual audit, please feel free to contact us.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.